



U.S. Small Business Administration

Visit Our Website at:

www.sba.gov/regions/states/ia/cedar

U.S. Small Business Administration
215 Fourth Avenue SE, Suite 200
Cedar Rapids, Iowa 52401-1806
James N. Thomson, District Director
Tel.: (319) 362-6405 Ext. 221 Fax 362-7861
Contact: Keith W. McBride, Public Information

NEWS for Eastern Iowa Lenders

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Enhanced SBAExpress

The SBA is extending and enhancing the SBAExpress Pilot Loan Program. Under SBAExpress, selected lenders are allowed to use mostly their own forms, procedures and analysis to process SBA loan applications on an expedited basis through the Sacramento PLP Center. In exchange for this delegation of responsibility, the maximum guarantee is 50%. Lenders eligible to become SBAExpress lenders must meet the following conditions:

- Have achieved at least an 85% currency rate on their SBA 7(a) portfolio for the last 3 complete fiscal years plus the elapsed portion of the current fiscal year.
- Be in good standing with their primary regulator.
- Have been reviewed by SBA in the past year and received a rating of either "Fully" or "Substantially" in compliance.
- Recommendation of the Lead SBA Field Office and concurrence of the Office of Lender Oversight.
- Be current in filing SBA required 1502 reports.
- Be current in remitting required SBA guarantee and servicing fees.

Some of the features of the SBAExpress loan program are:

- Loans up to a maximum of \$250,000.
- Lenders may charge up to 6.5% over prime rate on loans of \$50,000 or less and up to 4.5% over prime rate on loans over \$50,000.
- SBAExpress loan applications are just one two-sided SBA form (1919) which is signed by the applicant and retained by the lender.
- Lenders forward only a single page of borrower information (SBA Form 1920) to the agency.

The new program guide for the Enhanced SBAExpress is available for review at www.sba.gov/banking. If you are interested in knowing more about the program please see the guide or contact our office. Should you desire SBAExpress authority, forward your intentions to Mike Davis at the Sacramento PLP Center. His phone is 916-930-2460 and his e-mail is mike.davis@sba.gov.

STAR Loan Program

Funding remains in the STAR Loan Program for small businesses "adversely affected" by the acts of September 11th. Loans under this program are eligible for a reduction in the ongoing annual fee from .5 per cent to .25 percent. The lender makes the determination the business has been "adversely affected" and documents the loan file with the basis for this conclusion. This documentation does not need to be submitted to SBA. The lender then annotates either the regular SBA Form 4-I or 4-L (Low Doc Application) with the words "STAR Loan" at the top. That's all there is to it. Upon approval the loan authorization will reflect the lower annual fee.

Lenders, Would You Feel Confident In Answering the Following Eligibility Questions for Each of Your SBA Loans?

- Were size determinations correct and analyzed according to SBA policy (including affiliation determinations)?
- Did the loan file document determinations that credit was not available elsewhere on reasonable terms?
- Was the personal resources test applied and enforced according to SBA policy?
- Was the nature of business of the small business concern eligible for SBA financing?
- Was this loan to a US citizen or eligible non-citizen?

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- Does the business activity associated with the SBA loan demonstrate that it is NOT of a sexually prurient nature?
 - Did the loan applicant(s) demonstrate no loss to the Government in all prior federal financial assistance received?
 - If applicable, were eligible passive company rules applied according to SBA policy?
 - Was the purpose of the use of proceeds eligible?
 - If the project involved the refinancing of existing debt, was SBA policy correctly applied regarding the eligibility of the debt refinanced?
 - If the loan proceeds were used to acquire, build or renovate real property, did the loan meet SBA's policy requirements regarding occupancy percentage?
 - If the loan involves a change of ownership, was it eligible?
 - If the loan involved a franchise, did the borrower have the power to control the franchise?
 - Were you unable to detect any apparent conflict of interest related to the borrower on this loan?
 - Were you unable to detect any apparent conflict of interest related to the lender on this loan?
 - Did the new loan coupled with any other outstanding SBA loans meet the allowable loan program limits?
 - Was the loan amount, percent of guaranty, maturity and interest of the loan consistent with SBA policy?
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- Throughout The Next Several Months, We Will Be Providing Additional Information and Explanations Regarding SBA Loan Eligibility Criteria Beginning With Part I In This Newsletter.

Part I: INITIAL ELIGIBILITY REQUIREMENTS

What are the basic eligibility requirements for all applicants for SBA business loans?

1. To be eligible for an SBA business loan, a small business applicant must:
 - a) Be an operating business
 - b) Be organized for profit;
 - c) Be located in the United States;
 - d) Be small under the SBA size requirements published in the Code of Federal Regulations 13 CFR 121 www.sba.gov/gopher/Parts/13cfr120.txt (including affiliates as defined by SBA).
Generally speaking:
 - Wholesaler (100 employees)
 - Manufacturer (500 employees)
 - Retailer/Service (\$6 mil.)
 - Special trade contractors (\$12.0 mil.)
 - General building contractors (\$28.5 mil.)
 - Farm (\$750,000)
 - 504 alternative standards – net worth \$7 million and net income \$2.5 million);
 - e) Be able to demonstrate a need for the desired credit.
2. Credit not available elsewhere.
SBA provides business loan assistance only to applicants for whom the desired credit is not otherwise available on reasonable terms from non-Federal sources. SBA requires the Lender to certify or otherwise show that the desired credit is unavailable to the applicant on reasonable terms and conditions from non-Federal sources without SBA assistance, taking into consideration the prevailing rates and terms in the community in or near where the applicant conducts business, for similar purposes and periods of time. Lender has substantiation in its file to support the certification.
3. Funds not available from alternative sources, including personal resources of principals.
 - a) An applicant for a business loan must show that the desired funds are not available from the personal resources of any owner of 20 percent or more of the equity of the applicant. SBA will require the use of personal resources from any such owner as an injection to reduce the SBA funded portion of the total financing package (i.e., any SBA loans and any other financing, including loans from any other source) when that owner's liquid assets exceed the amounts specified in paragraphs (a) (1) through (3) of this section.
When the total financing package:
 - i. Is \$250,000 or less, each 20 percent owner of the applicant must inject any personal liquid assets, which are in excess of two times the total financing package or \$100,000, whichever is greater;
 - ii. Is between \$250,001 and \$500,000, each 20 percent owner of the applicant must inject any personal liquid assets, which are in excess of one and one-half times the total financing package or \$500,000, whichever is greater;

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- iii. (3) Exceeds \$500,000, each 20 percent owner of the applicant must inject any personal liquid assets, which are in excess of one times the total financing package or \$750,000, whichever is greater.
- b) Any liquid assets in excess of the applicable amount set forth in paragraph (a) of this section must be used to reduce the SBA portion of the total financing package.
These funds must be injected prior to the disbursement of the proceeds of any SBA financing. For purposes of this section liquid assets means cash or cash equivalent, including savings accounts, CDs, stocks, bonds, or other similar assets. Equity in real estate holdings and other fixed assets are not to be considered liquid assets.
4. Are farm enterprises eligible?
Federal financial assistance to agricultural enterprises is generally made by the United States Department of Agriculture (USDA), but may be made by SBA under the terms of a Memorandum of Understanding between SBA and USDA. (Contact the local office of USDA first.) Farm-related businesses, which are not agricultural enterprises, are eligible businesses under SBA's business loan programs.

WORDS OF ENCOURAGEMENT

BY JAMES N THOMSON, DISTRICT DIRECTOR

We hear and read a lot about "economic stimulus" and "economic recovery" these days. The Legislature has passed a Venture Capital and an Angel Investor Bill to help stimulate and grow Iowa's economy. But, you know partnering with the SBA to get needed funding to small businesses in eastern Iowa will boost the economy by establishing new businesses and expanding existing businesses. Utilizing SBA loan programs makes your role in this process much less risky. Let us help you finance those small business projects and further "stimulate" the economy of eastern Iowa.

In 2003, the SBA will celebrate its golden anniversary, 50 years of service to our nation's small business community. Our mission is to aid, counsel, assist, and protect the interests of small concerns in order to preserve free competitive enterprise. With a portfolio of roughly 220,000 loans worth more than \$53 billion, we are the largest single financial backer of U.S. businesses in the nation. Without you this would not have been possible.

SBA has helped create AOL, Intel, Federal Express, Compaq Computer, Ben and Jerry's Ice Cream, and many, many other companies. Closer to home we can look at Winnebago, Casey's, Bertch Cabinets, Quality Chef Foods, Access Direct, Happy Joe's, just to name a few.

You, the lenders in eastern Iowa will continue to play an extremely significant role in growing "our" economy. Give us a call at (319) 362-6405 or mail us an application: 215 Fourth Avenue SE, Suite 200, Cedar Rapids IA 52401-1806 or fax a LowDoc application to (916) 930-2180.

A Glance at our Stats (1st 3 qtrs of FY compared with last year)

3rd Qtr Apr-Jun	2002 Loans	2002 Amounts	2001 Loans	2001 Amounts
Veterans	3	\$564,000	4	\$1,482,700
Minority	2	\$144,500	6	\$1,587,000
Women	14	\$1,568,400	15	\$653,400
LowDoc	21	\$1,609,400	29	\$1,869,900
504	14	\$3,252,000	12	\$2,655,000
All Loans	58	\$10,244,400	57	\$8,681,550
1 st 3 Qtrs of FY	2002 Loans	2002 Amounts	2001 Loans	2001 Amounts
Veterans	12	\$2,302,000	11	\$1,897,500
Minority	5	\$422,500	10	\$2,686,900
Women	32	\$3,359,100	41	\$2,974,400
LowDoc	66	\$4,836,800	71	\$5,317,300
504	24	\$2,198,000	29	\$6,801,000
All Loans	140	\$23,031,600	143	\$22,054,725

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Cancellation of SBA Form 2004, Lender's Certification to the SBA

The form shown on the right has been eliminated due to the Colson (SBA Form 1502) reporting requirement. Please destroy any remaining copies. You are no longer are required to use this form:

CERTIFICATION TO THE
U. S. SMALL BUSINESS ADMINISTRATION (SBA)

BORROWER: _____

LOAN NO.: _____

LENDER certifies to SBA that the following representations are true and correct to the best of Lender's knowledge, information, and belief:

1. The above loan was closed in accordance with SBA's loan authorization;
2. The note is dated _____;
3. The loan matured on _____;
4. The date of first disbursement was _____;
5. The date of final disbursement was _____;
6. The total amount disbursed equaled _____;
7. The guaranty fee was sent to SBA Denver Finance Center on _____;
8. All required Compensation Agreements (SBA Form 120) are attached;
9. The individual signing this certification on behalf of the participant is fully authorized to do so.

LENDER: _____

BY: _____

Cancelled

U.S. FORM 2004 (1/99)

AWARDS OPPORTUNITIES

Tibbetts Technology and Innovation Award

SBA will accept nominations for Tibbetts High Tech award until July 31, 2002. This is the seventh year of the award named for the father of the SBIR program, Roland Tibbetts. There will be an award for each state presented at ceremonies in Washington DC on Oct. 2nd. The award recognizes outstanding high tech small businesses in the SBIR program. If you'd like a local company to win the Iowa award and have an opportunity to compete for the national title, submit your nomination at the following web site: <http://www.sbirstr.net/tibbetts/NominationSubmissions.htm> (All nominations must be submitted electronically at this site and all companies nominated must be past or current participants in the SBIR Program).

Small Business Person of the Year

The SBPY Program will undergo some changes this year as the SBA is currently rewriting the nomination brochure. We expect the brochure will be available later this summer or in early fall and we will mail them to our resource partners when we receive them. At this time we are accepting nomination suggestions for Small Business Person of the Year. Please consider your small business clients carefully for possible nomination. A nominee need not have a past or present SBA loan history. Please fax your suggestions to (319) 362-7861:

NOMINEE INFORMATION:

I Nominate * _____
Title _____ for Small Business Person of the Year.
Company/ Organization _____
Address _____
City _____ Zip _____ Phone _____ FAX _____
Nominees Qualifications for this Award -- short description : * You may nominate yourself.

NOMINATOR'S INFORMATION (Optional):

Nominator Name _____
Title _____
Organization _____
Address _____
City _____ Zip _____ Phone _____ FAX _____

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